



April 13, 2021

The Honorable Marvin L. Abney
Chairman
Committee on House Finance

RE: Article 16, Section 6—Relating to Housing

Dear Chairman Abney and Committee Members:

On behalf of the more than 6,000 members of the Rhode Island Association of REALTORS® (RIAR), thank you for accepting testimony and affording our organization with the opportunity to comment on Article 16 of the Fiscal Year 2022 budget proposal—Relating to Housing.

REALTORS® across Rhode Island appreciate the House's commitment to improving housing access for all Rhode Islanders. The foundation of our economy is housing. According to the National Association of REALTORS®, Rhode Island's real estate industry accounted for nearly \$12 billion or 18.2% of the gross state product in 2019.¹

At a time when soaring home prices are outpacing supply, the Rhode Island Association of REALTORS® (RIAR) is concerned that Rhode Island lacks a long-term vision to address housing needs at all levels. The Rhode Island Association of REALTORS® has been monitoring Rhode Island's financial picture and understands that legislators are faced with making difficult decisions to address projected deficits. RIAR supports your due diligence to ensure that a balanced budget is considered by the General Assembly.

On April 13, 2021, RIAR testified before your committee on House bills H 5456 and H 5687—related to real estate conveyance taxes. Some of the general points that were made by RIAR will not be belabored on these pages, and we encourage you to review the testimony that was provided to the committee.

Section 6 of Article 16 asks the House to double the State's real estate conveyance tax imposed on residential homeowners that sell for more than \$700,000, while allocating the new revenue to fund affordable housing. RIAR has supported the concept of creating a dedicated

¹ <https://www.nar.realtor/sites/default/files/documents/2019-state-economic-impact-of-real-estate-activity-ri-04-14-2020.pdf>

revenue stream to fund housing during the last two legislative sessions. But RIAR questions if setting an arbitrary sales transaction ceiling is a well-researched policy that will generate the housing that our state desperately needs. Furthermore, Section 6 of Article 16 creates an unfair and inequitable formula for taxing real property, while exempting certain property tax classifications.

It is true that Rhode Island is the only New England State that has not created a dedicated revenue stream to fund housing. However, only one New England state – Connecticut – has implemented a similar approach to Section 6 of the proposed budget. It is unclear at this time if Connecticut's model has made an impact on housing, as the new tax structure was effective July 1, 2020, and new revenue generated from the tax increase is not earmarked for housing. **RIAR recommends conducting a state-by-state analysis of transfer taxes to determine a schedule that will provide a sustainable revenue stream that works for all Rhode Islanders.**

RIAR applauds Governor McKee for heeding our call to utilize existing revenue derived from the real estate transfer tax to fund housing programs. In fact, a recent poll conducted by our association revealed that 6-in-10 Rhode Islanders say they favor using all revenue generated from the State's real estate conveyance tax to fund housing programs. Unfortunately, Article 16 would allocate less than seven percent of the current revenue generated for housing initiatives. Is this proposal consistent with Rhode Islander's call for more housing with current revenues? **RIAR encourages the House to support H 5456 and dedicate current transfer tax revenue for housing programs prior to considering a new tax on homeowners.**

As we stated during our April 13, 2021 testimony before this committee, RIAR maintains that Rhode Island needs a holistic approach to confront our State's housing challenges. **RIAR recommends that the General Assembly pause on any proposal that burdens Rhode Island homeowners with higher and new taxes. Our association's leaders would like the opportunity to work with you during the second half of the year on a well-researched, comprehensive plan that will effectuate true change.** Furthermore, we request the House leadership to review recommendations from the study commissions established in [H 5950](#) and [H 5953](#) prior to enacting any one-off tax increases.

For the reasons stated in this testimony, the Rhode Island Association of REALTORS® respectfully asks that you take no action on Article 16, Section 6—Relating to Housing.

Sincerely,



Philip B. Tedesco, RCE, CAE, CIPS
Chief Executive Officer